

PUBLIC DISCLOSURE

December 3, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Israel Discount Bank of New York
19977**

**511 Fifth Avenue
New York, New York 10017**

**Federal Deposit Insurance Corporation
20 Exchange Place
New York, New York 10005**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

I.	General Information.....	3
II.	Institution Rating.....	4
	a. Overall Rating	
	b. Discussion	
III.	State Rating	
	a. New York.....	7
	b. California	19
IV.	Other Activities.....	23
V.	Appendix	
	a. Scope of Examination.....	24
	b. Summary of State Ratings	25

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Israel Discount Bank of New York** prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **December 3, 2001**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

Israel Discount Bank of New York (IDBNY) has demonstrated excellent responsiveness to its communities' credit needs. IDBNY has actively supported all three areas of community development: lending, investments, and services. The bank actively seeks out new community development lending opportunities that benefit its assessment areas. IDBNY has provided numerous community development loans to support local economic development, social service, and affordable housing projects. Additionally, IDBNY has made investments in and bestowed grants to local organizations that have community development as their primary purpose. Total outstanding community development loans, investments, and grants of \$122.8 million represent 2.10 percent of total assets (\$5.8 billion) as of September 30, 2001. IDBNY also has provided a satisfactory level of community development services.

IDBNY's performance was evaluated using the Community Development Test. The Community Development Test considers community development loans, qualified investments, and community development services. The bank's performance in each of these areas is summarized below:

Community Development Lending

IDBNY has demonstrated a high level of responsiveness to the various community development needs of its assessment areas. During the time period reviewed, IDBNY committed approximately \$109.6 million in community development loans. Outstanding community development loans and commitments total \$110.1 million or 1.89 percent of total assets (\$5.8 billion) as of September 30, 2001.

Community Development Investments

Through its use of qualified investments, IDBNY has exhibited excellent responsiveness to the community development needs of its assessment areas. IDBNY participated in approximately \$12.6 million of qualified investments and grants within its assessment areas since the previous evaluation. Total community development investments and grants represented 0.22 percent of total assets (\$5.8 billion) as of September 30, 2001. In addition to monetary donations, IDBNY made several in-kind donations of computer equipment to local organizations and schools providing services to the low- and moderate-income (LMI) neighborhoods and residents of its assessment areas.

Community Development Services

IDBNY has provided a good level of participation in community development services. The bank lends its expertise to provide career development skills and supports local businesses with their community revitalization initiatives.

DESCRIPTION OF INSTITUTION:

IDBNY is a full-service commercial bank chartered by the State of New York in 1962. IDBNY is an indirect subsidiary of Israel Discount Bank Limited (IDB), which is headquartered in Israel. IDBNY provides domestic and international banking services to its clientele in the Metropolitan New York area and abroad through its main office at 511 Fifth Avenue and a branch at 1350 Broadway, both in New York City; a newly opened Los Angeles Branch located at 206 North Beverly Drive in Beverly Hills; an International Banking Facility at its main office; an offshore Cayman Islands branch; a wholly-owned subsidiary bank, Discount Bank (Latin America) headquartered in Montevideo, Uruguay; representative offices in London, Paris, Montevideo and Santiago; a newly established equipment leasing company, IDBNY Leasing, Inc.; IDBNY Realty Inc., a Real Estate Investment Trust (REIT) incorporated in New York State; and IDBNY Realty (Delaware), Inc., a REIT holding company.

The bank's deposit products include: personal and commercial checking accounts, Basic Banking accounts, money market savings and checking accounts, and U.S. dollar and foreign currency time deposits. Banking Services include: Visa credit cards, safety deposit box rentals, the sale of travelers checks and money orders, direct deposits of Social Security and other recurring payments, the processing of documentary credits and collections, lock box facilities, cash management, safekeeping and custody of securities, and international private banking services. The various types of financing include: middle market lending, asset based lending, commercial real estate lending, factoring, equipment leasing, letters of credit, and import-export financing. IDBNY also offers an array of non-deposit investment products that are not FDIC insured. The bank does not typically offer or extend retail credit products, such as residential mortgages and personal loans except on an accommodation basis to its private banking customers and employees. Consequently, on December 9, 1996, the FDIC granted the bank a designation as a wholesale institution under CRA.

As of September 30, 2001, IDBNY had total assets of \$5.8 billion, of which loans comprised approximately \$1.9 billion. The following table illustrates the distribution of the bank's loan portfolio as of September 30, 2001.

Table 1 - Loan Distribution as of 09/30/2001		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	30,634	1.60
Secured by Farmland	0	0
1-4 Family Residential	17,705	0.93
Multi-Family (5 or more) Residential	42,935	2.25
Commercial	178,991	9.37
Total Real Estate Loans	\$270,265	14.15%
Commercial and Industrial	1,239,741	64.92
Agricultural	0	0
Consumer	62,479	3.27
Other	339,502	17.78
Less: Unearned Income	2,440	NA
Total Loans	\$1,909,547	100.0%

Source: Report of Condition

Currently, the bank's capacity to lend and to meet the various credit needs of the communities is not hampered by operating losses, regulatory actions, or liquidity constraints. In fact, IDBNY remains profitable and financially competitive, having reported as of September 2001, net income of \$51.8 million, equity capital of \$493.4 million, return on assets (ROA) of 1.19, and a tier 1 leverage capital ratio of 8.08 percent. The latter ratio, as defined in Part 325 of the FDIC Rules and Regulations, measures the level of an institution's core capital as a percentage of total assets. For all but the most highly rated financial institutions, the minimum leverage capital requirement for a bank is 4.0 percent.

IDBNY's most recent CRA evaluation, dated April 21, 1999, resulted in an overall rating of "Outstanding." Prior to that examination, the New York State Banking Department had conducted a Public Summary Offsite Evaluation, dated June 30, 1998, and also deemed the bank's performance to be "Outstanding."

STATE OF NEW YORK

CRA RATING FOR NEW YORK: Outstanding.

IDBNY has an excellent record of participating in and helping to support community development activities in its assessment area. IDBNY is active in all three areas of community development. Outstanding community development loans/commitments and investments totaled approximately \$113.3 million, representing 2.08 percent of total assets (\$5.5 billion) as of September 30, 2001. Officers of the bank also have lent their expertise to community development organizations and programs.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN *NEW YORK*:

IDBNY operates its main office and one branch in the State of New York. Both offices are located in New York County in midtown Manhattan. The main office is located at 511 Fifth Avenue and the branch is located at 1350 Broadway. Total assets for IDBNY were \$5.5 billion as of September 30, 2001, with \$1.2 billion in total loans. IDBNY focuses on lending for commercial and industrial purposes, with an emphasis in the wholesale and international markets.

DESCRIPTION OF *NEW YORK* ASSESSMENT AREA:

Demographic Data

CRA requires financial institutions to define an assessment area within which the bank will concentrate its CRA activity and lending efforts. The FDIC evaluates the institution's CRA performance based on the defined assessment area. IDBNY's assessment area for the State of New York consists of the five boroughs of New York City: Bronx, Kings, New York, Queens, and Richmond Counties. The assessment area includes 2,216 census tracts. Of these, 314, or 14.7 percent, were categorized as low-income; 419, or 18.9 percent, as moderate-income; 779, or 35.2 percent, as middle-income; and 638, or 28.8 percent, as upper-income. All geographies in this assessment area are located within the New York Primary Metropolitan Statistical Area (PMSA) 5600.

Census tracts are defined by income characteristics as follows: a low-income tract is one in which the median family income is less than 50 percent of the median family income of the Primary Metropolitan Statistical Area (PMSA) in which it is located; a moderate-income tract is one in which the median family income is more than 50 percent, but less than 80 percent of the median family income of the PMSA; a middle-income tract is one in which the median family income is more than 80 percent, but less than 120 percent of the median family income of the PMSA; and an upper-income tract is one in which the median family income exceeds 120 percent of the median family income of the PMSA. The categorization of census tracts is based upon median family income figures established by the 1990 United States (US) Census.

The 1990 median family income for PMSA 5600 was \$37,515. The United States Department of Housing and Urban Development (HUD) annually adjusts the median family income figures. The 1999, 2000, and 2001 adjusted median family income for the PMSA were \$53,400, \$56,200, and \$59,100, respectively.

According to the 1990 United States Census Data (Census), this assessment area has a population of 7,322,564. There are 2,992,169 housing units, of which 36 percent are one-to-four family dwellings, and 63 percent are multi-family dwellings (five or more units). The remaining housing units consist of mobile homes or other housing structures. Furthermore, 27 percent of the total housing units are owner-occupied, 67 percent are rental units, and 6 percent are vacant. The median housing value is \$172,137 and the median gross rent is \$517 per month.

New York County is home to a diversified mix of industries. Many national and international corporations are headquartered in New York County. The downtown area is dominated by the financial industry and is home to the New York Stock Exchange. Industries operating in the midtown area include advertising, fashion design, and publishing. Aside from the services industry, retail is a major employer due to several large department stores and numerous small businesses. Bronx, Kings, Queens, and Richmond Counties are predominantly residential in nature with no single company or industry dominant in their economies.

Economic Outlook

A general economic outlook of the New York Metropolitan area is presented. The information was obtained from the FDIC's Division of Insurance (DOI), which is responsible, in part, for analyzing regional economic and banking trends that pose risk to the deposit insurance funds. To that end, DOI uses different industry sources that forecast economic patterns.

New York's economy is forecasted to contract. The attack on the World Trade Center will hurt the state's economic activity since much of New York's economic expansion over the past five years resulted from New York City's economic renaissance. The immediate impact on New York will be through lost employment, lost output and lost tax revenues. Some of these output and tax revenue losses can never be made up as a large share of business transactions in New York City involve services, not goods. Some job losses also may be permanent, if displaced Wall Street firms elect to leave the city for good. It is anticipated that output will decline due to lost wages and jobs resulting from the attack. In the following six months, or so, the metro area, and thus the state, will feel the positive impact of the federal relief dollars and rebuilding efforts. However, with the national economy weak and upstate New York's economy unlikely to get much of a boost, New York's outlook is lackluster.

Community Contact

The need for increased and improved affordable housing remains a commonly expressed weakness. Recently conducted community contacts with community organizations serving the bank's assessment area reveal a continued need for affordable housing development and rehabilitation lending. These contacts also identified flexible lending products and homebuyer counseling as needs within the community. The contacts stated that more involvement by financial institutions, in partnership with non-profit organizations, is needed to assist consumers in obtaining credit. One contact specifically mentioned that up-front loan costs often pose

serious problems for individual borrowers and felt that banks could make greater efforts to reduce origination costs and to provide loans with longer terms. Several contacts also expressed the opinion that banks could do more to assist small and new business owners with obtaining the funding necessary to conduct business in this high cost area. One contact also noted that local entrepreneurs could benefit from banks providing business planning counseling and other technical support.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN *NEW YORK*:

SCOPE OF THE EVALUATION

The examination was conducted on-site using the wholesale CRA evaluation procedures and focused on IDBNY's record of lending within its New York assessment area. A review of the bank's participation in community development lending, qualified community development investments, and community development services included all activity since the prior evaluation, dated April 21, 1999, to the present evaluation of December 3, 2001.

COMMUNITY DEVELOPMENT LENDING

The bank's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Part 345 of the FDIC's Rules and Regulations defines community development as affordable housing (including multi-family rental housing) or community services targeted to low- and moderate-income individuals, activities that promote economic development, or activities that promote community stabilization or revitalization of low- and moderate-income geographies. Furthermore, a community development loan is a loan that:

- has as its primary purpose community development;
- has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area(s) as a home mortgage, small business, small farm, or consumer loans, unless it is a multi-family dwelling loan; and
- benefits the bank's assessment area(s) or a broader statewide or regional area that includes the assessment area(s).

IDBNY has an excellent record of providing community development loans within its assessment area. Community development loans and commitments totaled \$100.1 million or 1.84 percent of total assets (\$5.5 billion) as of September 30, 2001. The loans and lines of credit granted to support affordable housing programs and small businesses directly respond to specifically expressed needs of the assessment area.

IDBNY's community development lending commitments and originations (including renewals) during the evaluation period were as follows:

Affordable Housing

In November 1999, the bank approved a \$2,500,000 line of credit to a real estate development company that constructed a 375-unit apartment house on West 43rd Street in a moderate-income census tract in New York City. Tax-exempt bonds issued by the New York City Housing Development Corporation funded the building. IDBNY is one of two banks that provided a standby letter of credit in partial support of this project. Twenty percent of the building's apartments are allocated for low-income tenants.

In April 2001, the bank renewed a \$500,000 line of credit to a program that helps finance the construction of affordable owner-occupied housing throughout the New York City area. The bank participates with other wholesale and foreign banks in a \$50 million revolving credit facility. The consortium of banks provides construction loans in conjunction with this program for affordable home ownership projects in low- and moderate-income neighborhoods in New York City. The mostly 2- and 3- family homes are built on land previously owned by the city. The outstanding balance as of the evaluation was \$80,161.

Economic Development/Community Development

In June 2000, the bank granted a \$11,660,769 loan to purchase a 68,000 square foot 2-story retail property located at 600 W. 181st Street in the Washington Heights section of Manhattan. The property, which is located in a moderate-income census tract had been a Woolworth store and was closed up for some time after the chain went out of business. The building is now fully leased and is occupied by a Burger King and 6 other retail establishments. The stores service the immediate neighborhood and employ a number of residents from the community. This loan serves to promote the economic development of this moderate-income neighborhood by developing previously vacant commercial space while creating employment opportunities for the residents of the surrounding area, which are predominantly low- or moderate-income. As of the evaluation date, the outstanding balance on this loan was \$10,427,836.

In July 2000, the bank renewed a \$5,606,880 loan to an organization which was formed to finance all types of small retailers such as grocers, bakeries, and nail salons. Much of this organization's financing is based in the low- and moderate-income neighborhoods of New York City. This loan serves to promote economic development by providing funding to small businesses that have difficulty obtaining conventional financing elsewhere. Aside from sustaining the economic stability of these neighborhoods, the ongoing viability of these businesses provides much needed services to the residents of these economically disadvantaged neighborhoods. The outstanding balance as of the evaluation was \$5,276,109.

In December 2000, the bank increased a \$4,000,000 line to \$5,750,000 to fund the purchase of a 300,000 square-foot, 10-story light industrial/commercial building, located at 68 Jay Street, Brooklyn, New York, renting to various small businesses. These funds help to provide affordable commercial space to small businesses. The outstanding balance as of the evaluation was \$5,500,000.

In April 2001, the bank renewed a \$500,000 line to an organization that was created by a special act of the New York State Legislature in 1955. The company acts as a complement to banks in providing long-term working capital, equipment, and real estate loans to a variety of small businesses located in New York State, either in participation with or adjunct to, the banking industry and the Small Business Administration. These funds continue to serve the needs of small businesses throughout the state. The outstanding balance as of the evaluation was \$55,604.

In October 2001, the bank renewed a \$10,000,000 line to a holding company of several small business finance companies. Among the subsidiaries are the following type entities: an authorized Small Business Administration lender that participates in the Section 7(a) loan program; a company that originates loans to small businesses for the principal purpose of financing inventory and receivables; and a Small Business Investment Company. The outstanding balance as of the evaluation was \$8,640,909.

Community Revitalization/Stabilization

In April 2001, the bank renewed a \$1,650,000 letter of credit to an organization whose primary goals are for the revitalization and stabilization of Jamaica, the downtown area of Queens. The bank has a 33.3 percent Risk Participation in Bank of New York's direct pay letter of credit. The letter of credit provides credit enhancement for a \$4.8 billion bond issued by the New York City Industrial Development Authority to this organization. Proceeds from the bond are being utilized to purchase and improve two parking lots and one parking garage in Jamaica, a low-and moderate-income area. This will give the business community approximately 1,000 parking spaces. The improved parking space will make the downtown area more accessible, in turn, promoting increased patronage of its retail establishments and service providers. The outstanding balance as of the evaluation was \$1,560,960.

In May 2001, the bank renewed a \$1,000,000 loan to fund the renovations of a 5-story school building into a 20-unit co-op apartment house. The building is located in a low-income census tract on East 4th Street near Avenue B in Manhattan. This loan helped stabilize this low-income area by supporting the conversion of a vacant building into an income producing property. The loan balance of \$1,000,000 was paid off on November 21, 2001.

In November 2001, the bank approved a \$17 million loan for the purpose of purchasing a leasehold interest in an enclosed 2-story retail shopping mall and an adjacent 454- space parking garage. The mall is located at One De Kalb Avenue in Brooklyn, in a low-income census tract, and was constructed in 1979 as part of a plan to revitalize the downtown Fulton Street District in Brooklyn. The mall is presently only 83 percent occupied; the new owners expect to spend approximately \$3 million out of the loan proceeds to renovate the property. The mall is located within the Special Fulton Mall District which was established by the City of New York to create an attractive shopping environment in downtown Brooklyn. Negotiations with the City of New York have resulted in future tax payments being substantially reduced in exchange for the above mentioned \$3 million commitment for capital improvements to the property.

A customer of the bank which operates a total of 36 restaurants in New York City, Washington D.C., and Las Vegas was adversely impacted by the events of September 11, 2001. After the World Trade Center disaster the company's sales declined significantly to the point where they had to reduce annual payroll expenses by \$10 million which entailed laying off 25 percent of its employees. Sales have improved since the disaster although one restaurant, located at the World Financial Center, still remains closed. Sales in the weeks since September 11 have been averaging 13 percent below the same period in 2000. The borrower requested a \$3,000,000 temporary increase in its line to \$26,000,000. IDBNY's share is \$480,000.

Although not extended or renewed during the evaluation period, the bank still has a \$500,000 line of credit to a city-wide, not-for-profit community revitalization organization working to: increase investment in declining neighborhoods; encourage and support neighborhood self-reliance; and create, preserve, and promote affordable housing in New York City neighborhoods. The \$500,000 line is one of 15 banks participating in a \$7.5 million secured revolving credit line and term loan. The 15-bank consortium will lend funds to this organization for the purpose of financing the acquisition, improvement, construction or rehabilitation of multi-family mixed-use apartment buildings in low- and moderate-income neighborhoods in New York City. The outstanding balance as of the evaluation was \$63,874.

The following Community Development loans are to Small Business Investment Companies (SBIC's). SBIC's are licensed by the Small Business Administration to provide equity capital and long-term loans to small businesses. The bank's SBIC borrowers have granted loans to many different types of businesses including diners and restaurants, light manufacturing, retailers, franchise operators, small contractors, and auto repair shops. The following is a list of lines of credit granted:

Date	Commitment	Outstanding Balance
04/30/99	\$ 1,500,000	-0-
04/17/01	\$16,000,000	\$14,500,000
04/17/01	\$15,000,000	\$10,721,590
08/29/01	\$ 6,000,000	\$ 4,275,000
	\$38,500,000	\$29,496,590

In April 2001, the bank renewed a \$5,000,000 line of credit to a Specialized Small Business Investment Company (SSBIC) which is licensed by the Small Business Administration to provide funds solely for small businesses which are owned by socially and economically disadvantaged persons. SSBIC borrowers have granted loans to purchase taxi medallions, dry cleaners, laundromats, garages, and other small retaining establishments. A \$3,500,000 balance on this line was paid off on July 16, 2001.

COMMUNITY DEVELOPMENT INVESTMENTS

The bank was evaluated on its record of helping its assessment area through qualified investments. Qualified investments, as defined in Part 345.12(s) of the FDIC Rules and Regulations, refer to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development. Qualified investments may serve the assessment area or a broader statewide or regional area that includes the assessment area. An institution's investment activities are evaluated pursuant to the following criteria:

- (1) the dollar amount of qualified investments;
- (2) the innovativeness or complexity of qualified investments;
- (3) the responsiveness of qualified investments to credit and community development needs; and
- (4) the degree to which the qualified investments are not routinely provided by private investors.

IDBNY has participated in a significant amount of community development investments within its assessment area. Since the previous examination, community development investments in the assessment area totaled \$12.6 million representing 0.23 percent of total assets (\$5.5 billion) as of September 30, 2001.

Investments

The bank purchased various mortgage-backed securities issued by FNMA and FHLMC. The bonds are collateralized by residential mortgages extended to low- and moderate-income individuals residing in low- or moderate-income census tracts within the bank's assessment area. The outstanding balance, as of December 3, 2001, was \$7,853,312.

In February 2000, the bank committed to a \$2 million equity investment to Navigator Growth Partners, L.P., which is an SBIC requiring licensing by the SBA. The fund focuses on providing growth and acquisition equity to privately held companies located primarily in northeastern United States. As of the evaluation, IDBNY funded \$200,000.

In March 2000, the bank committed to a \$2 million equity investment to Meridian Venture Partners II, L.P. which is an SBIC licensed by the SBA. The fund makes equity investments in small to medium-sized businesses located in the mid-Atlantic region. As of the evaluation, IDBNY funded \$1,006,631.

In August 2000, the bank committed \$500,000 to the New York Emerging Neighborhood Fund, L.P. The fund was formed to acquire, invest, manage, improve and dispose of a diversified portfolio of real estate investments in low- and moderate-income neighborhoods of New York City consisting primarily of residential and mixed-use properties. As of the evaluation, IDBNY funded \$15,567.

IDBNY has \$100,000 on deposit with Community Capital Bank in Brooklyn. Community Capital is a community development financial institution (CDFI) located in New York City. The funds are utilized to develop housing for low- and moderate-income families, promote job creation through small business lending, and support businesses that provide beneficial products or services to the local community.

IDBNY maintains a \$10,000 term deposit at the Homesteaders Federal Credit Union located in lower Manhattan. Homesteader is a Community Development Credit Union (CDCU). CDCUs are non-profit credit unions owned by the residents of low-income communities; they make loans for the purchase and rehabilitation of housing and also lend to small- and minority-owned businesses.

IDBNY maintains a \$15,000 term deposit at the Neighborhood Trust Credit Union. The credit union is located in the Washington Heights section of upper-Manhattan and is also a CDCU.

Grants and Donations

The following grants or contributions were made between April 21, 1999 and December 3, 2001 to various non-profit organizations which create and promote affordable housing, provide educational and vocational programs and, in general, have been established to improve the low- and moderate-income neighborhoods and communities of New York City.

- American Ort Federation - The bank has been actively supporting the Bankers and Accountants Chapter of the American Organization for Rehabilitation Through Training (ORT). American ORT in New York City provides vocational and technical training for the underprivileged and recently arrived immigrants through courses held at Bramson ORT Technical Institute. Total contributions for the time period under review were \$18,200.
- Lawyers' Alliance for New York – Lawyers Alliance provides pro bono and low cost business law services to community-based non-profit organizations that serve the disadvantaged in NYC. Lawyers' Alliance provides a complete range of non-litigation legal services to various non-profit groups that operate in low-income communities. It is estimated that the Alliance provides \$10 million in free legal services each year. Total contributions for the time period under review were \$3,500.
- New York City Partnership Foundation – The New York City Partnership Foundation conducts the charitable and educational programs that are sponsored by the New York City Partnership and Chamber of Commerce. The foundation is committed to support various programs including affordable housing, community economic development, summer jobs, and leadership development. Total contributions for the time period under review were \$6,000.

- Municipal Arts Society Planning Center – This organization is a part of The Municipal Art Society of New York. The Planning Center is a resource for neighborhoods throughout New York City. The Planning Center provides direct technical assistance to low- and moderate-income community residents on grass roots planning and development, particularly with regard to techniques for reclaiming vacant lots, gaining waterfront access, and creating and implementing neighborhood self-help plans. Total contributions for the time period under review were \$5,000.
- Big Brothers Big Sisters of New York City – This organization is involved in mentoring at-risk children of low-income single-parent families in New York City and provides these youngsters with desperately needed one-on-one attention. Total contributions for the time period under review were \$3,100.
- Maryhaven Center for Hope – This organization is a non-profit nonsectarian agency committed to helping mentally and physically challenged children and adults, many of whom are low- and moderate-income, to realize their potential. It operates through a network of facilities in Suffolk County and serves almost 1,600 people from all over New York State. Total contributions for the time period under review were \$1,500.
- South Bronx Overall Economic Development Corporation – This organization, also known as “SOBRO” has worked for more than 28 years to improve the various neighborhoods that comprise the South Bronx. SOBRO has a variety of programs established to help small businesses within the community, including “CREDIT” which is a partnership with several banks to provide loans to small- and medium-sized businesses that have difficulty finding financing through conventional methods. CREDIT has been certified by the U.S. Department of Treasury as a CDFI. CDFI’s are organizations whose primary mission is community development. Some of the other programs that SOBRO offers include: holding credit and money management seminars for community groups; training young people for the workplace at their Youth Employment Service Center; creating market-driven training and job placement for local residents; developing housing and supportive services for people with AIDS; and holding workshops with local residents and professional business people to respond to housing issues such as security, lighting, and public space. Total contributions for the time period under review were \$2,100.
- Events of September 11, 2001 – The bank made contributions to several organizations/funds associated with helping those directly impacted by the tragic events of September 11, 2001. Contributions totaled \$57,625.
- Neighborhood Housing Services of New York City, Inc. (NHS) - NHS is a city-wide, not-for-profit community revitalization organization working to: increase investment in declining neighborhoods; encourage and support neighborhood self-reliance; and create, preserve, and promote affordable housing in New York City neighborhoods. Total contributions for the time period under review were \$46,850.

- Congress of Racial Equality - This organization, also known as “CORE” has been focusing requests for grants on their “Project Independence” which is a welfare reform/job training program designed to assist young single mothers on welfare. The women in the program are placed in a 90-day training program and are taught basic office procedures (including computers and office equipment) so that they can compete in the job market and become able to leave public assistance. Total contributions for the time period under review were \$1,750.
- Other Qualified Donations – The bank made various smaller-sized donations to organizations that meet community development needs. In 2000 and year-to-date 2001, these donations totaled \$5,535.

In-Kind Donations

The bank has had an ongoing program of donating used computer equipment to various community organizations located in New York City.

- The bank donated 27 computers and 4 printers to Homesteaders Federal Credit Union (as described previously). The computers are being utilized in Homesteaders’ Limited-Equity Housing Cooperative Program. Total value of the donation was \$6,750.
- The bank donated 62 computers to New York Cares. New York Cares is a non-profit organization that works in partnership with schools, social agencies and environmental organizations to provide hands-on volunteer opportunities throughout New York City. The computers are being used to launch their Partners in Technology Program wherein programs will be created for schools and not-for-profit agencies. Total value of the donation was \$15,500.
- The bank donated 10 computers to the Dominican Women’s Development Center. This is an organization, located in the Washington Heights section of Manhattan which provides education and employment training for disadvantaged women. Total value of the donation was \$2,500.
- The bank donated 6 computers to the St. George Ukrainian Catholic Church which is located on the Lower East Side of Manhattan. Low- and moderate-income students who have recently emigrated from countries previously under Soviet rule will utilize the computers in the St. George School and Academy. Total value of the donation was \$1,500.
- The bank donated 71 computers to the Computers for Youth Foundation. This foundation is a non-profit organization that is a partnership with the NYC Board of Education to distribute used computers to public schools and also to place computers within the homes of students from low-income families. The average value of the each computer donated was \$250; therefore the total value of the donation was \$17,750.

- The bank donated 6 computers to The Independence Community Center, a non-profit organization located in the Williamsburg section of Brooklyn. The Center is affiliated with a New York City housing project called Independence Towers. The computers will be used by this organization in their computer study program and classes. The total value of the donation was \$1,500.
- The bank donated computer equipment to the Neighborhood Housing Services of New York City, Inc. Total value of the donated equipment was \$3,200.

COMMUNITY DEVELOPMENT SERVICES

Community development services are evaluated based upon the extent to which services are offered and used; the innovativeness of the service; the degree to which the service serves low- or moderate-income areas or individuals; and their responsiveness to available opportunities for community development services.

For the past several years the bank has been involved with an internship program with La Guardia Community College's Division of Cooperative Education; the college is a part of the City University of New York. This program gives low-income students an opportunity to earn money to finance their education, while they gain hands-on experience in the banking industry. The students must devote three of their academic terms to internship programs; each successfully completed internship earns the student three credits. The College developed the internship program in order to provide the students with learning experiences that enable them to realize their potential in work education and everyday life. It offers students the opportunity to explore various career options and to apply classroom learning to real work situations. During 2000, there were a total of 23 students in the internship program at the bank; the cumulative salaries paid by the bank to the students totaled \$74,851. Year-to-date 2001, there have been a total of 19 students in the internship program and the cumulative salaries paid by the bank to the students totaled \$73,573. Of these students, the bank hired five of them.

A senior vice president at IDBNY is a member of The New York Emerging Neighborhood Fund, L.P.'s Advisory Committee. A vice president of the bank is a member of NHS' City-Wide Loan Committee.

Events of September 11, 2001

Due to the tragic events at the World Trade Center a bank customer's store, located on Maiden Lane, was closed from September 11, 2001 to December 2, 2001. The store is in need of repairs but the principal owner decided to open for the month of December in order to salvage some of the holiday season. The store will be closed down in January 2002 so that repairs may begin. The borrower requested and the bank agreed to postpone two interest payments. The borrower expects a loss of \$500M for the year ending 2001.

Another customer of the bank, a publisher of fine art books, is located at 22 Cortlandt Street directly across from the World Trade Center site. Due to the disaster, the company had to temporarily relocate. The borrower requested and the bank agreed to a temporary suspension of three, \$50,000 monthly principal payments on its' loan. The total of the temporary suspended payments is actually \$300,000, as the bank shares this facility with another local financial institution.

STATE OF CALIFORNIA

CRA RATING FOR CALIFORNIA: Satisfactory.

IDBNY has a satisfactory record of participating in and helping to support community development activities in its California assessment area. IDBNY has been active in community development lending. Outstanding community development loans totaled approximately \$9.5 million, representing 5.16 percent of total assets (\$184 million) as of September 30, 2001.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CALIFORNIA:

IDBNY operates its one branch office in the state of California in Los Angeles County. The branch is located at 9320 Wilshire Boulevard, Beverly Hills. This branch was opened for business on September 22, 2000, and as such, IDBNY has not had an opportunity to explore all community development opportunities in this new market area.

DESCRIPTION OF CALIFORNIA ASSESSMENT AREA:

Demographic Data

IDBNY's assessment area for the state of California consists of Los Angeles County. The assessment area includes 1,652 census tracts. Of these, 147, or 8.9 percent, were categorized as low-income; 377, or 22.8 percent, as moderate-income; 544, or 32.9 percent, as middle-income; and 565, or 34.2 percent, as upper-income. All geographies in this assessment area are located in the Los Angeles-Long Beach, California MSA 4480. The 1990 median family income for the MSA was \$39,035. The United States Department of Housing and Urban Development (HUD) annually adjusts the median family income figures. The 1999, 2000, and 2001 adjusted median family income for the MSA were \$51,300, \$52,100, and \$54,500, respectively.

According to the 1990 United States Census Data (Census), this assessment area has a population of 8,863,164. There are 3,163,343 housing units, of which 64 percent are one-to-four family dwellings, and 33 percent are multi-family dwellings (five or more units). The remaining housing units consist of mobile homes or other housing structures. Furthermore, 46 percent of the total housing units are owner-occupied, 49 percent are rental units, and 5 percent are vacant. The median housing value is \$233,162 and the median gross rent is \$638 per month.

According to Economy.com, Inc., demographic trends have improved greatly for Los Angeles County and are expected to remain strong in the coming years. In the near term, the recession in Silicon Valley is sending many tech migrants back to Los Angeles in search of jobs. Longer term, international migration will continue to support the metro area's growth. Moreover, the relatively high birth rate of the immigrant population will generate internal growth as well.

Industries concentrated in Los Angeles include motion picture production, personnel supply services, and business services. The top major employers in the area include: Kaiser Permanente, The Boeing Corporation, Ralphs Grocery, Pacific Bell, and Telnet Healthcare Corporation. Other employers include Bank of America, Walt Disney, and Hughes Electronic Corporation.

Economic Outlook

A general economic outlook of Los Angeles County is presented. Again, this information was obtained from the FDIC's Division of Insurance (DOI), which is responsible, in part, for analyzing regional economic and banking trends that pose risk to the deposit insurance funds.

Los Angeles's economy is slowing. Employment has leveled off since the beginning of the year. The economy, however, is not in decline. It has a healthy housing market, and its jobless rate has risen on par with the national trend. Moreover, while help-wanted advertising in Los Angeles is down from a peak last winter, it has risen in each of the past two months. Thus, the economy has skirted a recession so far, although its numerous links to the national and international economy pose downside risks.

Construction activity will be a mainstay of the economy over the near term. Both residential and nonresidential construction permit issuance had strengthened during the first half of the year. Demand remains strong for housing and for retail space. A surge of office permits was issued during the first half of this year, although some of these may be postponed in this weaker economic climate.

There is a high probability that Los Angeles will avoid a recession. Near term, growth will be very weak, but exposure is limited to the weak electronics and telecom industries. Los Angeles depends more on consumer spending, defense spending, and international trade. Los Angeles is expected to resume its moderate pace of growth over the long term.

Community Contacts

A review of recent community contacts made indicates the economy is stagnant and perhaps entering a recession. The current financial services market is tight and competition among local financial institutions is intense. The contact indicated that there is a need for working capital loans and loans to fund expansion of local businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN CALIFORNIA:

COMMUNITY DEVELOPMENT LENDING

The bank's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Part 345 of the FDIC's Rules and Regulations defines community development as affordable housing (including multi-family rental housing) or community services targeted to low- and moderate-income individuals, activities that promote economic development, or activities that promote community stabilization or revitalization of low- and moderate-income geographies.

Furthermore, a community development loan is a loan that:

- has as its primary purpose community development;
- has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area(s) as a home mortgage, small business, small farm, or consumer loans, unless it is a multi-family dwelling loan; and
- benefits the bank's assessment area(s) or a broader statewide or regional area that includes the assessment area(s).

Economic Development/Community Development

In January 2001, the bank renewed a \$8,000,000 line of credit to a business, which operates two pawnshops in Los Angeles. The secondary and smaller store is located within a U.S. Department of Housing and Urban Development designated Federal Empowerment Zone and California State Enterprise Zone. This store employs approximately five individuals who all live in the empowerment zone. The employment of these individuals supports the goal of the federal empowerment zone: a strengthened business community that creates jobs for empowerment zone residents. This line is given minimal weight since the majority of the line supports the main store, which is located outside the empowerment zone, and the smaller store employees such few people that it has little impact on the empowerment zone.

Affordable Housing

In October 2001, the bank renewed a \$1,500,000 line of credit to an organization which finances 1-4 family "affordable housing" acquisition/rehabilitation loans to small local non-profit organizations or contractors who purchase properties on which the U.S. Department of Housing and Urban Development had foreclosed. HUD sells the properties at a discount from current market values, typically 30 percent. The non-profit organization or contractor remodels or rehabs the properties to HUD/FHA standards and resells the properties to individuals. FHA then provides acquisition financing to these individuals. HUD must approve each non-profit organization/contractor to be eligible for the discount and also limits their profit to 10 percent. It should also be noted that many of these loans are located within a HUD-designated Empowerment Zone. The outstanding balance as of the evaluation was \$1,280,000.

COMMUNITY DEVELOPMENT INVESTMENTS

As of the examination date, the Los Angeles branch had not funded any community development investments.

COMMUNITY DEVELOPMENT SERVICES

As of the examination date, the Los Angeles branch had not participated in any community development services.

OTHER ACTIVITIES

ACTIVITIES OUTSIDE OF THE ASSESSMENT AREA

IDBNY has more than satisfactorily addressed the community development needs of its assessment area, and is therefore eligible to receive consideration for its community development activities outside of its assessment area. These activities are discussed as collateral activities that lend further support to the bank's outstanding rating.

IDBNY originated one qualified community development loan outside of its assessment area during the evaluation period.

- In June 2000, the bank originated a \$140,000 loan to a real estate development company who used the loan funds for predevelopment costs associated with the privatization and rehabilitation of 240 public housing apartment presently owned by the City of Poughkeepsie Industrial Bond Agency. Of the 240 apartments, 94 of the units are subsidized under HUD's Section 8 Program and the balance are under the New York State Low Income Housing Program.

RESPONSE TO CONSUMER COMPLAINTS

No complaints regarding fair lending or the bank's CRA performance have been received since the previous examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

APPENDIX A

SCOPE OF EXAMINATION

The examination scope encompassed all community development activities in which the institution participated since the previous evaluation. All community development loans, investments, and services funded or supported by IDBNY from April 21, 1999 through December 3, 2001 were reviewed. Wholesale bank procedures were used. The FDIC approved the institution's request for wholesale designation for CRA purposes on December 9, 1996.

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	4/21/99 to 12/3/01	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Israel Discount Bank of New York		Community Development Loans Community Development Investments Community Development Services

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
New York 5 Borough of New York City (Bronx, Brooklyn, New York, Queens and Richmond Counties)	On – site	Main Office	None
California Los Angeles County	Off – site	None	The Beverly Hills branch, located in Los Angeles County, opened for business in September 2000.

APPENDIX B

SUMMARY OF STATE AND MULTISTATE MSA RATINGS

State or Multistate MSA Name	State Rating
New York	Outstanding
California	Satisfactory